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The Director of Central Intelligence  
Washington, D.C. 20505

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*NIO/USSR*

National Intelligence Council

2 May 1986

MEMORANDUM FOR: See Distribution  
FROM: Fritz W. Ermarth  
National Intelligence Officer for USSR  
SUBJECT: Warning Assessment -- USSR

1. Attached is the assessment prepared following the NIO/USSR Warning and Forecast meeting held on 22 April 1986. Comments would be most welcome.

2. The next meeting will be held on Tuesday, 20 May at 1400 hours in Room 7-E-62, CIA Headquarters. Please have your clearances passed [Redacted] with your attendance plans by COB Friday, 18 April. I solicit suggestions regarding any topics or contingencies you feel we may be overlooking and request that such recommendations be forwarded to me by COB, Friday, 18 April.


*Fritz W. Ermarth*  
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The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

NIC #02220-86  
2 May 1986

MEMORANDUM FOR: Director of Central Intelligence  
FROM: Fritz W. Ermarth  
National Intelligence Officer for USSR  
SUBJECT: Monthly Forecast and Warning Report -- USSR

1. US-Soviet Relations

A. Discussion:

During the next several months, at least, the Soviets will continue to emphasize public diplomacy and propaganda tactics--aimed at undermining domestic and Allied support for the President--rather than decide to seek serious political compromise. The Soviets probably see the window for an agreement with this Administration beginning to close and are thinking about its successor, but they haven't given up yet on a deal with President Reagan. Moscow most likely is now planning toward a Fall summit.

In the meantime, we anticipate additional arms control proposals aimed at the galleries.

The Geneva NST talks will play a secondary role.

The Soviets probably want to institutionalize the summit process for dealing both with this Administration and its successor.

Gorbachev has become more sensitive to appearances as concerns developments in US-Soviet relations and may feel an increased need to show results. Gorbachev may be having difficulty selling the flattening of the US defense budget and Congressional opposition to Administration policies as being related to the current climate of US-Soviet relations.

  
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Postponing Shevardnadze's meeting with Secretary Shultz may have been done as a low cost way to show Soviet domestic constituencies as well as the Arab world that Gorbachev is, indeed, toughminded. Moscow probably calculated that a Summer summit was already a longshot.

The Soviets are relieved that the US will continue for the moment to abide SALT II because of the certainty this affords them in their political and economic planning. This decision could be helpful to Gorbachev in maintaining his course of dialogue to the extent he does face skepticism.

The Soviets will not sacrifice a significant US arms control concession or other major piece in its chess game with the US on behalf of Qadhafi; but Gorbachev probably believes that he can utilize the US-Libyan confrontation to further pressure the US to make a concession by appearing to threaten the summit process.

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C. Warning:

The Soviets will likely make new arms control proposals over the next several months aimed at undermining public and Allied support for the Administration's policies. The Soviets may make a major push for a CDE agreement this Summer.

2. Soviet-Libyan Relations

A. Discussion:

The Soviets will continue to avoid putting the USSR and Soviet armed forces at risk on behalf of Qadhafi and will not give him a defense agreement--because they don't want a military confrontation with the US and because they don't exercise strong influence over Qadhafi or trust him. However, the Soviets do want to take advantage of Qadhafi's weakness and the US-Libya confrontation by gaining a greater military and stronger political presence in Libya, weakening the US position in the Middle East, and enlarging US differences with the Allies.

Moscow does not like the image of the arms it has supplied to Libya yielding so little. Its interest is in creating the impression that they worked better than they did and in improving their future

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effectiveness. The Kremlin probably is pleased that the international community does not perceive that its arms support to Qadhafi has strongly encouraged his terrorism.

NIO/USSR believes Libya has major political importance to the USSR, and that the Soviets are fearful of suffering a major political reverse if Qadhafi is overthrown and not replaced by a leader at least as closely allied to the USSR. Soviet options are poor, however, and Moscow most likely will try to patch things up with Qadhafi while attempting to gain greater influence over Libyan politics and the choice of a possible successor.

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C. Warning:

In the next several months, the Soviets likely will provide support for automating and otherwise upgrading the Libyan air defense system. We probably will see additional Soviet and possibly other foreign advisors arriving in Libya to train Libyans on a number of new weapon systems and to upgrade command and control. The Libyans could present a greater air defense threat if they do get this support in about six months.

3. Soviet-East European Relations

A. Discussion:

The Soviets are continuing to enjoy success in pressuring East Europe for better terms of trade, but are not doing so well in their quest for greater CEMA integration.

Only Poland is not in rough balance with the USSR in trade now.

East Europe is currently paying the earlier high world price of oil due to previous agreements with the USSR. This will change slowly.

The dynamic of this improved Soviet economic situation vis-a-vis the region probably will become increasingly difficult to sustain owing to Moscow's weakening hard currency position, the availability of cheap oil on the world market, and the likely failure of the Soviet economy to grow according to Soviet hopes.

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Gorbachev is not seeking to abruptly gain greater political control over the region as he originally signalled. He likely has come to appreciate the region's delicate stability and anticipates that the current leaders in the region will pass soon and he only needs to bide his time before the opportunity will arise for him to make Soviet weight felt. The danger is that if the Soviets do not press their favorites in the meantime, they may not be well positioned in the event of the sudden death or incapacitation of a leader.

Moscow is keeping a close watch on East European relations with Western Europe, particularly the inner German dialogue. Gorbachev's remarks in East Berlin at the SED Party Congress did not rule out a Honecker visit to West Germany, but neither were they encouraging. The Soviets want to retain close control over relations between East Berlin and Bonn and they do not want to enhance Kohl's reelection prospects.

Moscow's calculus probably is to allow the inner German relationship to modestly progress if it yields substantial economic and political gains. The goal is to get Kohl to pay handsomely for a Honecker visit or make him suffer politically for failing to do so.

Moscow wants Bonn to be less supportive of the US, provide greater economic assistance to the GDR, ease restrictions on technology transfers to the bloc, and support greater Soviet borrowing to make up for Moscow's weakening hard currency position.

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C. Warning:

The East Germans and Soviets may pressure Kohl hard in the next several months for significant political and economic concessions in return for a Honecker visit that would likely come this summer if it is to be before the FRG national elections in early 1987.

  
Fritz W. Ermarth

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